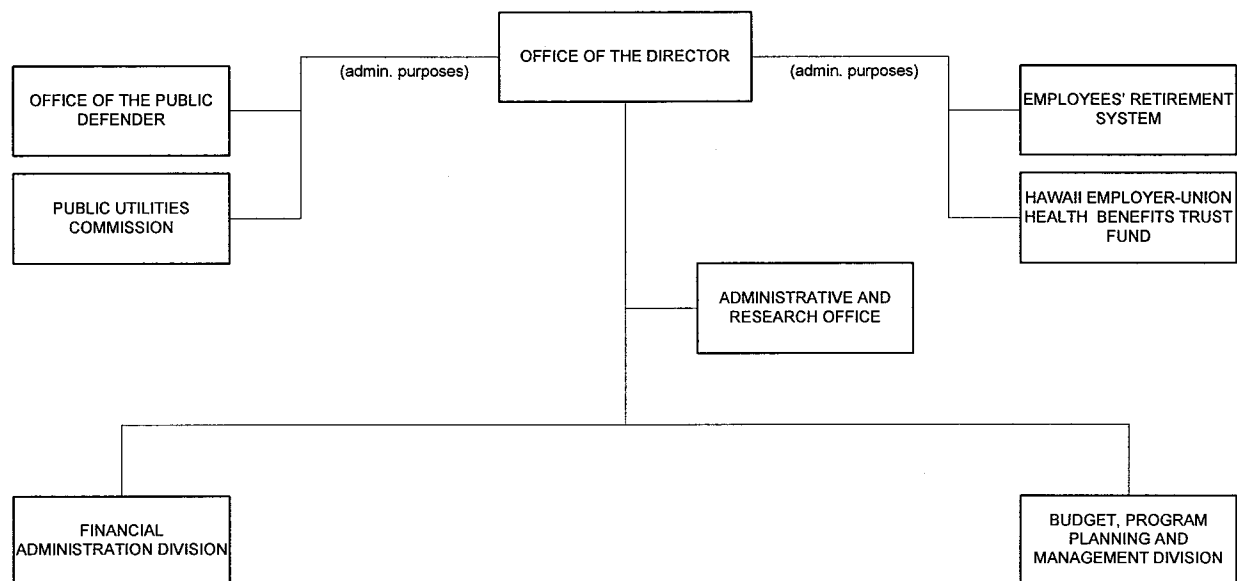


STATE OF HAWAII
DEPARTMENT OF BUDGET AND
FINANCE
ORGANIZATION CHART



DEPARTMENT OF BUDGET AND FINANCE

MAJOR FUNCTIONS

- Administers the multi-year program and financial plan and executive budget, management improvement, and financial management programs of the state under the general direction of the Governor
- Coordinates state budget services and prepares the Governor's budget for submission to the legislature; administers the financial affairs of the State
- Plans, directs and coordinates the State's investments and financing programs
- Directs and coordinates a statewide retirement benefits program for state and county government employees
- Administers health and life insurance benefits for eligible state and county active and retired public employees and dependents
- Provides comprehensive legal and related services to persons who are financially unable to obtain legal and related services
- Regulates all chartered, franchised, or certificated public service companies operating in the State

MAJOR PROGRAM AREAS

The Department of Budget and Finance has programs in the following major program areas:

Individual Rights

BUF 151 Office of the Public Defender
BUF 901 Public Utilities Commission

Government-Wide Support

BUF 101 Departmental Administration and Budget
Division
BUF 115 Financial Administration
BUF 141 Employees' Retirement System
BUF 143 Hawaii Employer - Union Trust Fund
BUF 915 Debt Service Payments
BUF 941 Retirement Benefits Payments
BUF 943 Health Premium Payments

DEPARTMENT OF BUDGET AND FINANCE

Department Summary

Mission Statement

To enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that prudently allocate and effectively manage available resources.

Department Goals

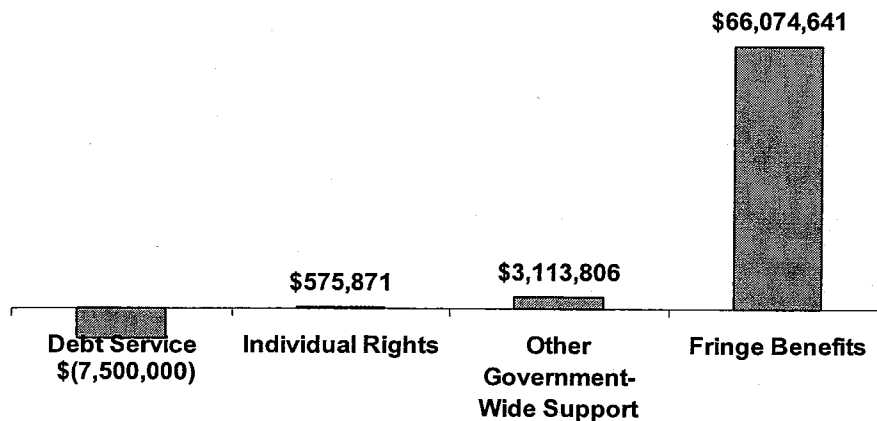
Improve the executive resource allocation process through planning, analysis and recommendation on all phases of program scope and funding; maximize the value, investment, and use of State funds through planning, policy development, timely scheduling of State bond financing and establishment of appropriate cash management controls and procedures; administer retirement and survivor benefits for State and County members and prudently manage the return on investments; administer health and life insurance benefits for eligible active and retired State and County public employees and their dependents by providing quality services and complying with federal and State legal requirements; ensure regulated companies provide adequate and reliable services at just and reasonable rates with a fair opportunity to earn a reasonable rate of return; and to safeguard the rights of indigent individuals in need of assistance in criminal and related cases by providing statutorily entitled and effective legal representation.

Significant Measures of Effectiveness

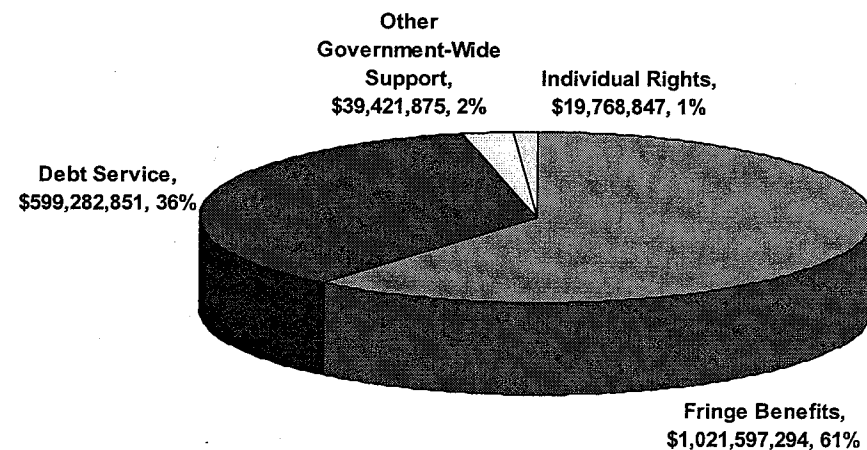
1. Average annual rate of return on State treasury investments
2. Rate of interest paid on State bonds relative to the Bond Buyer Index for bonds of comparable term and credit

<u>FY 2008</u>	<u>FY 2009</u>
3	3
90	90

FY 2009 Supplemental Operating Budget Adjustments by Major Program



FY 2009 Supplemental Operating Budget



Department of Budget and Finance
(Operating Budget)

		Act 213/2007 FY 2008	Act 213/2007 FY 2009	FY 2009 Adjustments	Total FY 2009
Funding Sources:	Positions	144.00	144.00	1.00	145.00
General Funds	\$	669,604,510	696,053,945	-27,929,980	668,123,965
		44.00	51.00	4.00	55.00
Special Funds		8,695,562	9,929,994	500,000	10,429,994
		30.00	30.00	1.00	31.00
Trust Funds		17,712,758	10,322,767	363,806	10,686,573
Interdepartmental Transfers		849,914,757	890,549,627	86,580,492	977,130,119
		83.00	83.00	16.00	99.00
Other Funds		11,025,246	10,950,216	2,750,000	13,700,216
		301.00	308.00	22.00	330.00
Total Requirements		1,556,952,833	1,617,806,549	62,264,318	1,680,070,867

Highlights of the Executive Supplemental Budget Request: (general funds unless noted)

1. Reduces the general fund by \$21,189,213 and provides \$78,842,131 in inter-departmental transfer funds for employer contribution requirements for pension accumulation.
2. Reduces the general fund by \$3,378,638 and provides \$11,800,361 in inter-departmental transfer funds for employer contribution requirements for social security/medicare.
3. Reduces the general fund by \$3,438,000 and inter-departmental transfer funds by \$4,062,000 for debt service.
4. Provides 1.0 permanent position count and \$75,871 in general funds and 1.00 permanent position count and \$63,806 in Trust funds. Also provides for the conversion of temporary to permanent count for 4.00 special fund and 16.00 other fund positions.
5. Provides \$2,000,000 in other funds for implementation of Hybrid Plan options.
6. Provides \$500,000 in special funds to implement Section 269-95, HRS; \$500,000 in other funds for computer hardware and software maintenance and \$250,000 for staff overtime; and \$300,000 in trust funds for investment consultant services.

Department of Budget and Finance
(Capital Improvements Budget)

	Act 213/2007 FY 2008	Act 213/2007 FY 2009	FY 2009 Adjustments	Total FY 2009
Funding Sources:				
General Obligation Bonds	342,158,000	73,570,000	1,000,000	74,570,000
Total Requirements	342,158,000	73,570,000	1,000,000	74,570,000

Highlights of the Executive Supplemental CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$1,000,000 in G.O. Bond funds for repair and maintenance for Bishop Museum.

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**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-**
PROGRAM STRUCTURE NO: **10**
PROGRAM TITLE: **INDIVIDUAL RIGHTS**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	125.00*	*	125.00*	132.00*	5.00*	137.00*	*	*	*
PERSONAL SERVICES	12,252,492		12,252,492	12,722,473	72,384	12,794,857	24,974,965	25,047,349	
OTH CURRENT EXPENSES	5,705,278		5,705,278	6,459,303	501,102	6,960,405	12,164,581	12,665,683	
EQUIPMENT				11,200	2,385	13,585	11,200	13,585	
TOTAL OPERATING COST	17,957,770		17,957,770	19,192,976	575,871	19,768,847	37,150,746	37,726,617	1.55
BY MEANS OF FINANCING									
GENERAL FUND	81.00*	*	81.00*	81.00*	1.00*	82.00*	*	*	*
	9,262,208		9,262,208	9,262,982	75,871	9,338,853	18,525,190	18,601,061	
SPECIAL FUND	44.00*	*	44.00*	51.00*	4.00*	55.00*	*	*	*
	8,695,562		8,695,562	9,929,994	500,000	10,429,994	18,625,556	19,125,556	
TOTAL POSITIONS	125.00*	*	125.00*	132.00*	5.00*	137.00*			
TOTAL PROGRAM COST	17,957,770		17,957,770	19,192,976	575,871	19,768,847	37,150,746	37,726,617	1.55

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

PROGRAM ID: **BUF-901**
 PROGRAM STRUCTURE NO: **10010305**
 PROGRAM TITLE: **PUBLIC UTILITIES COMMISSION**

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PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	44.00*	*	44.00*	51.00*	4.00*	55.00*	*	*	*
PERSONAL SERVICES	3,679,370		3,679,370	4,148,577		4,148,577	7,827,947	7,827,947	
OTH CURRENT EXPENSES	5,016,192		5,016,192	5,770,217	500,000	6,270,217	10,786,409	11,286,409	
EQUIPMENT				11,200		11,200	11,200	11,200	
TOTAL OPERATING COST	8,695,562		8,695,562	9,929,994	500,000	10,429,994	18,625,556	19,125,556	2.68
BY MEANS OF FINANCING									
SPECIAL FUND	44.00*	*	44.00*	51.00*	4.00*	55.00*	*	*	*
	8,695,562		8,695,562	9,929,994	500,000	10,429,994	18,625,556	19,125,556	
TOTAL POSITIONS	44.00*	*	44.00*	51.00*	4.00*	55.00*			
TOTAL PROGRAM COST	8,695,562		8,695,562	9,929,994	500,000	10,429,994	18,625,556	19,125,556	2.68

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF 901
Program Structure Level: 10 01 03 05
Program Title: Public Utilities Commission

A. Program Objective

To ensure that regulated companies efficiently and safely provide their customers with adequate and reliable services at just and reasonable rates, while providing regulated companies with a fair opportunity to earn a reasonable rate.

B. Description of Request

1. Conversion of 4.00 FTE petroleum related temporary positions to permanent status as is authorized by Act 177, SLH 2007.
2. Additional funds for the Public Utilities Commission ("PUC") to contract with the Hawaii Natural Energy Institute ("HNEI") at the University of Hawaii to conduct a study on Renewable Portfolio Standards ("RPS") pursuant to Chapter 269-95, Hawaii Revised Statutes.

C. Reasons for Request

1. Act 177, SLH 2007 authorized the conversion of seven (7) petroleum related temporary positions to permanent status. All seven (7) of the petroleum related positions have been converted to permanent status in FY 2008 based on Act 177, SLH 2007. Of the seven (7) positions, four (4) of the temporary positions were not reflected in Act 213, SLH 2007, General Appropriations Act, with the necessary permanent position counts. This request for conversion of the

four (4) temporary positions and inclusion in the Appropriation Act is consistent with Act 177, SLH 2007 and budget policy and procedures.

2. The FY 2009 special fund authorization of \$500,000 is necessary to meet the requirements of Chapter 269-95, Hawaii Revised Statutes. The PUC is required to contract with the HNEI to conduct an in-depth study of the issues relating to RPS and to report to the 2009 Legislature with subsequent follow-up reports every five years.

D. Significant Changes to Measures of Effectiveness and Program Size

The two (2) requests are necessary to enable the program to maintain its current and planned levels of service and program effectiveness and to comply with requirements which are mandated by the State law.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-151**
PROGRAM STRUCTURE NO: **100301**
PROGRAM TITLE: **OFFICE OF THE PUBLIC DEFENDER**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	81.00*	*	81.00*	81.00*	1.00*	82.00*	*	*	*
PERSONAL SERVICES	8,573,122		8,573,122	8,573,896	72,384	8,646,280	17,147,018	17,219,402	
OTH CURRENT EXPENSES	689,086		689,086	689,086	1,102	690,188	1,378,172	1,379,274	
EQUIPMENT					2,385	2,385		2,385	
TOTAL OPERATING COST	9,262,208		9,262,208	9,262,982	75,871	9,338,853	18,525,190	18,601,061	.41
BY MEANS OF FINANCING									
GENERAL FUND	81.00*	*	81.00*	81.00*	1.00*	82.00*	*	*	*
	9,262,208		9,262,208	9,262,982	75,871	9,338,853	18,525,190	18,601,061	
TOTAL POSITIONS	81.00*	*	81.00*	81.00*	1.00*	82.00*			
TOTAL PROGRAM COST	9,262,208		9,262,208	9,262,982	75,871	9,338,853	18,525,190	18,601,061	.41

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF 151

Program Structure Level: 10 03 01

Program Title: Office of the Public Defender

A. Program Objective

To safeguard the rights of individuals by providing statutorily entitled and effective legal representation in criminal, mental commitment, and family cases in compliance with the Hawaii Rules of Professional Conduct. Prudently manage Deputy Public Defender and support service resources and caseloads and maintain quality training program for Deputy Public Defender staff.

B. Description of Request

Additional 1.00 FTE permanent Deputy Public Defender (DPD) III position and related funds for the Kona, Hawaii branch of the Office of the Public Defender.

C. Reasons for Request

The additional DPD III is sorely needed to keep up with the population growth on the west side of the Big Island and the resulting increase in public defender workloads.

Caseload data since FY 2000-01 reveals significant increases for the Kona office. The Kona office caseloads will be further exacerbated by an upcoming re-assignment of South Kohala and Kau district criminal cases from the Hilo Court to Kona. The Third Circuit plans to begin shifting the criminal caseloads during FY 2009 which will substantially increase the number of felony cases that are brought before the Kona courts. The additional DPD III for Kona is needed to handle lower

level felony cases which will then free the DPD IV and the supervising DPD V to handle the anticipated increases in serious felony cases. Without additional support, the existing Kona office legal staff (DPD V, DPD IV, two DPD IIIs and one DPD II) will be unable to provide constitutionally mandated representation to indigent criminal defendants.

D. Significant Changes to Measures of Effectiveness and Program Size

This request is necessary to enable the program to maintain its current and planned levels of service

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-**
PROGRAM STRUCTURE NO: **11**
PROGRAM TITLE: **GOVERNMENT-WIDE SUPPORT**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	176.00*	*	176.00*	176.00*	17.00*	193.00*	*	*	*
PERSONAL SERVICES	12,625,697		12,625,697	12,423,141	313,806	12,736,947	25,048,838	25,362,644	
OTH CURRENT EXPENSES	1,523,198,686		1,523,198,686	1,585,601,712	61,374,641	1,646,976,353	3,108,800,398	3,170,175,039	
EQUIPMENT	3,170,680		3,170,680	588,720		588,720	3,759,400	3,759,400	
TOTAL OPERATING COST	1,538,995,063		1,538,995,063	1,598,613,573	61,688,447	1,660,302,020	3,137,608,636	3,199,297,083	1.97
BY MEANS OF FINANCING									
GENERAL FUND	63.00*	*	63.00*	63.00*	*	63.00*	*	*	*
	660,342,302		660,342,302	686,790,963	28,005,851-	658,785,112	1,347,133,265	1,319,127,414	
	30.00*	*	30.00*	30.00*	1.00*	31.00*	*	*	*
TRUST FUNDS	17,712,758		17,712,758	10,322,767	363,806	10,686,573	28,035,525	28,399,331	
INTERDEPT. TRANSF	849,914,757		849,914,757	890,549,627	86,580,492	977,130,119	1,740,464,384	1,827,044,876	
	83.00*	*	83.00*	83.00*	16.00*	99.00*	*	*	*
OTHER FUNDS	11,025,246		11,025,246	10,950,216	2,750,000	13,700,216	21,975,462	24,725,462	
CAPITAL INVESTMENT									
PLANS					10,000	10,000		10,000	
DESIGN					10,000	10,000		10,000	
CONSTRUCTION	342,158,000		342,158,000	73,570,000	980,000	74,550,000	415,728,000	416,708,000	
TOTAL CAPITAL COSTS	342,158,000		342,158,000	73,570,000	1,000,000	74,570,000	415,728,000	416,728,000	.24
BY MEANS OF FINANCING									
G.O. BONDS	342,158,000		342,158,000	73,570,000	1,000,000	74,570,000	415,728,000	416,728,000	
TOTAL POSITIONS	176.00*	*	176.00*	176.00*	17.00*	193.00*			
TOTAL PROGRAM COST	1,881,153,063		1,881,153,063	1,672,183,573	62,688,447	1,734,872,020	3,553,336,636	3,616,025,083	1.76

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**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

PROGRAM ID: **BUF-101**
 PROGRAM STRUCTURE NO: **11010305**
 PROGRAM TITLE: **DEPARTMENTAL ADMINISTRATION & BUDGET DIV**

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PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	49.00*	*	49.00*	49.00*	*	49.00*	*	*	*
PERSONAL SERVICES	3,239,102		3,239,102	3,239,385		3,239,385	6,478,487	6,478,487	
OTH CURRENT EXPENSES	9,639,278		9,639,278	9,642,135		9,642,135	19,281,413	19,281,413	
EQUIPMENT	4,250		4,250	1,500		1,500	5,750	5,750	
TOTAL OPERATING COST	12,882,630		12,882,630	12,883,020		12,883,020	25,765,650	25,765,650	
BY MEANS OF FINANCING									
GENERAL FUND	49.00*	*	49.00*	49.00*	*	49.00*	*	*	*
	12,882,630		12,882,630	12,883,020		12,883,020	25,765,650	25,765,650	
CAPITAL INVESTMENT									
PLANS					10,000	10,000		10,000	
DESIGN					10,000	10,000		10,000	
CONSTRUCTION	342,158,000		342,158,000	73,570,000	980,000	74,550,000	415,728,000	416,708,000	
TOTAL CAPITAL COSTS	342,158,000		342,158,000	73,570,000	1,000,000	74,570,000	415,728,000	416,728,000	.24
BY MEANS OF FINANCING									
G.O. BONDS	342,158,000		342,158,000	73,570,000	1,000,000	74,570,000	415,728,000	416,728,000	
TOTAL POSITIONS	49.00*	*	49.00*	49.00*	*	49.00*			
TOTAL PROGRAM COST	355,040,630		355,040,630	86,453,020	1,000,000	87,453,020	441,493,650	442,493,650	.23

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF101

Program Structure Level: 11 01 03 05

Program Title: Departmental Administration and Budget Division

A. Program Objective

To facilitate and improve the executive resource allocation process by thorough planning, programming, and budgeting and analyses, through sound recommendations on all phases of program scope and funding, and by efforts to simplify and more directly tie program performance with resource allocation decisions.

B. Description of Request

\$1,000,000 in general obligation bond funds for repairs, maintenance and other related improvements at the Bishop Museum.

C. Reasons for Request

Act 398, SLH 1988, officially designated the Bishop Museum as the State of Hawaii Museum of Natural and Cultural History and recognizes this designation through authorization of an annual appropriation which is provided through the operating budget. Capitol improvement funds are requested to address deferred repairs and maintenance needs and related improvement of the Museum's facilities to ensure that the Museum is able to continue in best serving the needs of the community.

Improvements are necessary to address various deferred maintenance issues, which include, but are not limited to, repairs to the driveways, parking areas, walkways; entrance way improvements to the Museum; security upgrades; and accessibility improvements to the Museum's facilities to accommodate disabled persons.

D. Significant Changes to Measures of Effectiveness and Program Size

The request is necessary to enable the Museum to maintain its current and planned levels of service and effectiveness.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-915**
PROGRAM STRUCTURE NO: **11020302**
PROGRAM TITLE: **DEBT SERVICE PAYMENTS**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING									
OTH CURRENT EXPENSES	573,267,045		573,267,045	606,782,851	7,500,000-	599,282,851	1,180,049,896	1,172,549,896	
TOTAL OPERATING COST	573,267,045		573,267,045	606,782,851	7,500,000-	599,282,851	1,180,049,896	1,172,549,896	.64-
BY MEANS OF FINANCING									
GENERAL FUND	262,785,613		262,785,613	278,149,259	3,438,000-	274,711,259	540,934,872	537,496,872	
INTERDEPT. TRANSF	310,481,432		310,481,432	328,633,592	4,062,000-	324,571,592	639,115,024	635,053,024	
TOTAL POSITIONS	*	*	*	*	*	*			
TOTAL PROGRAM COST	573,267,045		573,267,045	606,782,851	7,500,000-	599,282,851	1,180,049,896	1,172,549,896	.64-

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF 915
Program Structure Level: 11 02 03 02
Program Title: Debt Service Payments

A. Program Objective

New program established by the 2007 Legislature.

B. Description of Request

Reduce debt service appropriation by \$7.5 million (all MOF) in FY 2009 based on a revised issuance plan for GO Bond funds.

C. Reasons for Request

The proposed debt service requirements are based on a revised GO bond issuance plan. The revised bond issuance plan is increased by \$515 million in support of new GO CIP projects requested in the FY 2009 Supplemental Budget. Associated debt service payments decrease in fiscal year 2009 due to deferral of a \$275 million issuance in the 1st half of FY 2008. Debt service requirements then increase during the out years.

D. Significant Changes to Measures of Effectiveness and Program Size

New program established by the 2007 Legislature.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-141**
PROGRAM STRUCTURE NO: **11030601**
PROGRAM TITLE: **EMPLOYEES' RETIREMENT SYSTEM**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	83.00*	*	83.00*	83.00*	16.00*	99.00*	*	*	*
PERSONAL SERVICES	6,285,996		6,285,996	6,185,996	250,000	6,435,996	12,471,992	12,721,992	
OTH CURRENT EXPENSES	4,319,000		4,319,000	4,177,000	2,500,000	6,677,000	8,496,000	10,996,000	
EQUIPMENT	420,250		420,250	587,220		587,220	1,007,470	1,007,470	
TOTAL OPERATING COST	11,025,246		11,025,246	10,950,216	2,750,000	13,700,216	21,975,462	24,725,462	12.51
BY MEANS OF FINANCING									
OTHER FUNDS	83.00*	*	83.00*	83.00*	16.00*	99.00*	*	*	*
	11,025,246		11,025,246	10,950,216	2,750,000	13,700,216	21,975,462	24,725,462	
TOTAL POSITIONS	83.00*	*	83.00*	83.00*	16.00*	99.00*			
TOTAL PROGRAM COST	11,025,246		11,025,246	10,950,216	2,750,000	13,700,216	21,975,462	24,725,462	12.51

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF 141
Program Structure Level: 11 03 06 01
Program Title: Employees' Retirement System

A. Program Objective

To administer the retirement and survivor benefits program for State and county members and to anticipate and exceed their needs; manage the retirement system's resources in a responsible and cost-effective manner; prudently manage investments in accordance with fiduciary standards; and to provide an open and participative work environment for staff.

B. Description of Request

Additional \$500,000 in FY 2009 for computer hardware/software maintenance support requirements.

Additional \$2,000,000 in FY 2009 to implement provisions of the Hybrid ("Contributory") Plan, enacted by Act 179, SLH, 2004, that required federal legislation to be enacted before certain plan provisions could be provided to the members.

Conversion of sixteen (16.00) temporary positions to permanent status as follows: four (4.00) Accountant III (to be converted to Retirement Claims Examiner III positions), one (1.00) Accountant II, two (2.00) Information Technology Specialist IV, five (5.00) Clerk Typists II, one (1.00) Account Clerk III, two (2.00) Retirement Claims Examiner III, and one (1.00) Clerk III

Additional \$250,000 in FY 2009 for overtime costs due to workload requirements.

C. Reasons for Request

The ERS began implementation of the new Pension Management Information System (PMIS) to administer the three retirement plans in FY 2005. The PMIS includes an integrated application database, workflow, documents imaging system and self-service capability. The first applications of the PMIS were installed in early FY 2007, and the last functionality of this three-year computer system project is expected to be rolled out during late FY 2008. The PMIS will replace computer systems that were developed during the late 1980s and early 1990s and were used by the ERS for almost 20 years. During FY 2009, ERS will be working to stabilize the new PMIS and to fine tune the operating procedures, the new methodologies, workflows, imaging processes and address system security requirements.

Additional funding for computer system maintenance includes: maintenance support and software licensing costs for the documents imaging and management system; security enhancements and software/hardware maintenance for the new self-service modules that are expected to be implemented during the fourth quarter of FY 2008; and support requirements for the Oracle database, Oracle accounting software, user licenses, internet hardware and software and other security and maintenance related products. These cost items are not included in the ERS' current budget.

ERS' computer systems are essential to service the growing number of active members, retirees and beneficiaries. Proper system support will allow the members to access more information on-line, reduce processing times and ensure system reliability and user accessibility.

The Hybrid Plan, effective on July 1, 2006, is the third major retirement plan administered by the ERS. The ERS is currently working on finalizing several tax issues related to new Hybrid Phase II efforts to enable approximately 27,000 Hybrid Plan members to upgrade Non-Contributory plan service to the Hybrid Plan service.

Implementation of the service conversion (Hybrid Phase II) is expected to require a considerably larger effort than the communications and elections campaign that was undertaken to initially launch the plan. To ensure that the members are able to make the best decision possible, the ERS will undertake an extensive communications campaign to provide materials, individualized cost estimates to purchase the service upgrade with several payment scenarios, provide the estimated retirement benefit for the different scenarios, conduct member meetings statewide, provide individual counseling, provide training to department payroll and personnel staff, establish a member call center or phone support, develop website calculators, and produce posters and postcards. To ensure the overall success of this conversion project, the ERS will utilize an outside consultant along with ERS staff to counsel approximately 27,000 members in addition to using a number of internal ERS staff. The additional resources will enable the ERS to complete all tasks for the conversion within statutory time limits and continue to address core operations.

Authorization for the conversion of the sixteen (16.00) temporary positions to permanent status will address the ERS' needs to attract and retain knowledgeable and experienced staff. The ERS has experienced difficulties in the recruitment and filling of its temporary positions. On recruitment, applicants have accepted ERS' job offer, but have later declined the position to accept a permanent position at another department or agency. Further, the ERS' workload analysis, directed focus on the need for improved membership services in the form of counseling, financial planning, and information on retirement benefit projections and other retirement income and the need for continuous employer training and call center capabilities which will require staff support on a permanent basis.

Finally, additional funding for overtime cost is needed in FY 2009 to stabilize the new PMIS and to implement the second phase of the Hybrid Plan.

D. Significant Changes to Measures of Effectiveness and Program Size

These requests are necessary to enable the ERS to maintain its current and planned levels of service and program effectiveness.

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**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-143**
PROGRAM STRUCTURE NO: **11030603**
PROGRAM TITLE: **HAWAII EMPLOYER-UNION TRUST FUND**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	26.00*	*	26.00*	26.00*	1.00*	27.00*	*	*	*
PERSONAL SERVICES	1,869,665		1,869,665	1,766,765	63,806	1,830,571	3,636,430	3,700,236	
OTH CURRENT EXPENSES	7,065,554		7,065,554	2,524,643	300,000	2,824,643	9,590,197	9,890,197	
EQUIPMENT	2,746,180		2,746,180				2,746,180	2,746,180	
TOTAL OPERATING COST	11,681,399		11,681,399	4,291,408	363,806	4,655,214	15,972,807	16,336,613	2.28
BY MEANS OF FINANCING									
TRUST FUNDS	26.00*	*	26.00*	26.00*	1.00*	27.00*	*	*	*
	11,681,399		11,681,399	4,291,408	363,806	4,655,214	15,972,807	16,336,613	
TOTAL POSITIONS	26.00*	*	26.00*	26.00*	1.00*	27.00*			
TOTAL PROGRAM COST	11,681,399		11,681,399	4,291,408	363,806	4,655,214	15,972,807	16,336,613	2.28

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF143

Program Structure Level: 11 03 06 03

Program Title: Hawaii Employer-Union Trust Fund

A. Program Objective

To administer health and life insurance benefits for eligible active and retired State and county public employees and their dependents by 1) providing quality service levels to employee-beneficiaries and dependent-beneficiaries, 2) complying with federal and State legal requirements.

B. Description of Request

1. Additional 1.0 FTE Senior Health Benefit Analyst and related funds.
2. Additional \$300,000 for investment consultant services.

C. Reasons for Request

- A. Effective July 1, 2007, the EUTF implemented self-funded PPO medical and prescription drug benefit plans. The EUTF also implemented a Medicare Part D Prescription Drug Plan. This plan is under the authority of the Centers for Medicaid and Medicare Services (CMS), which required compliance with federal laws. The requested 1.0 FTE position will ensure compliance with and knowledge of CMS guidelines related to Medicare Part D prescription drug issues, including response to complex inquiries and research of Medicare related issues; will provide support of administration of self-funded plans; and will be responsible for the oversight of cost recovery efforts.

- B. Under Chapter 87A-24(2) and 87A-24(3), the EUTF Board of Trustees is authorized to invest the funds of the Trust and maintains a fiduciary responsibility for prudent action. The EUTF currently has funds to invest due to the premiums that were returned by insurance carriers. In addition, the EUTF anticipates that in response to reporting of Other Post Employment Benefits (OPEB) obligations, the State and counties may "pre-fund" the cost of providing future retiree benefits. The EUTH needs to develop its investment plan and policies to be ready to invest funds. It takes time to get an investment program developed and to the point where funds are invested according to the plan. Also, when funds (for OPEB) are received from employers, if the EUTF has no investment plan or program for long term investment, the actuary may use a lower discount rate resulting in higher liabilities than if a higher discount rate were used. The 2007 Legislature authorized the expenditure of FY 2008 funds to secure an investment consultant and this request is for the continuation of these services in FY 2009.

D. Significant Changes to Measures of Effectiveness and Program Size

The requests are necessary to enable the program to maintain its current and planned levels of service and program effectiveness.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **BUF-941**
PROGRAM STRUCTURE NO: **11030604**
PROGRAM TITLE: **RETIREMENT BENEFITS PAYMENTS**

PROGRAM COSTS	FY 2008			FY 2009			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING									
OTH CURRENT EXPENSES	533,543,329		533,543,329	544,026,599	66,074,641	610,101,240	1,077,569,928	1,143,644,569	
TOTAL OPERATING COST	533,543,329		533,543,329	544,026,599	66,074,641	610,101,240	1,077,569,928	1,143,644,569	6.13
BY MEANS OF FINANCING									
GENERAL FUND	222,439,828		222,439,828	224,622,703	24,567,851-	200,054,852	447,062,531	422,494,680	
INTERDEPT. TRANSF	311,103,501		311,103,501	319,403,896	90,642,492	410,046,388	630,507,397	721,149,889	
TOTAL POSITIONS	*	*	*	*	*	*			
TOTAL PROGRAM COST	533,543,329		533,543,329	544,026,599	66,074,641	610,101,240	1,077,569,928	1,143,644,569	6.13

**Narrative for Supplemental Budget Requests
FY 2009**

Program ID: BUF 941
Program Structure Level: 11 03 06 04
Program Title: Retirement Benefits Payments

A. Program Objective

New program established by the 2007 Legislature.

B. Description of Request

1. Adjustments to general fund and interdepartmental transfer fund (U-fund) authorizations to cover net increase in State employer contributions for Pension Accumulation.
2. Adjustments to general fund and interdepartmental transfer fund (U-fund) authorizations to cover net increase in State employer contributions for Social Security/Medicare.

C. Reasons for Request

1. Additional funding is required in FY 2009 for employer contributions for pension accumulation primarily as a result of increases in contribution rates mandated by Act 256, SLH 2007. The Legislature increased employer contribution rates from 15.75 percent to 19.7 percent for police and firefighters and from 13.75 percent to 15 percent for all other employees effective July 1, 2008. These increases were based on the actuarial valuation report as of June 30, 2006 that reported an ERS funded ratio of 65%, an unfunded liability of \$5.1 billion and a funding period of 35.2 years which is in excess of GASB's maximum 30 year requirement. The requested funding is based on

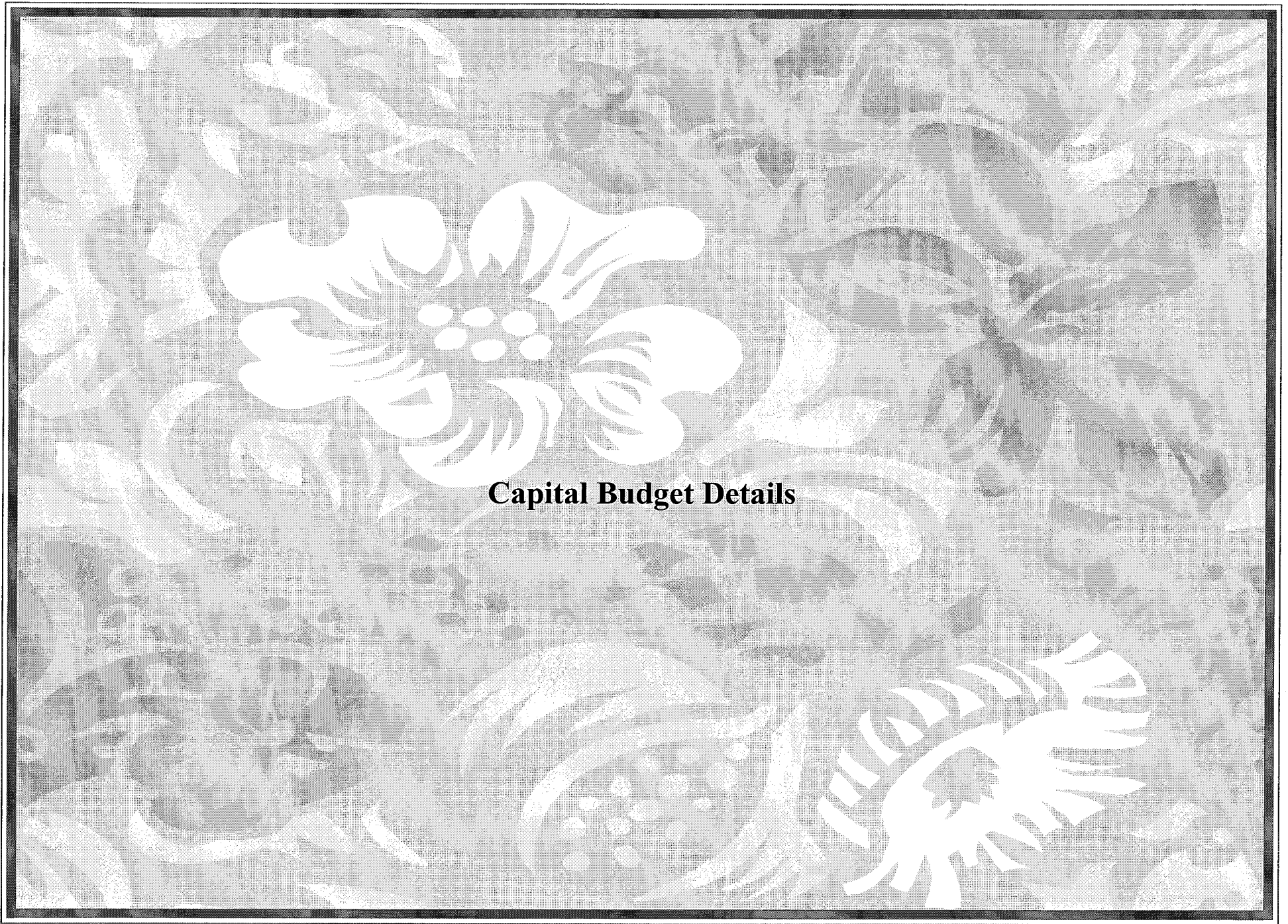
actual FY 2007 gross salaries which are higher than projected when the FB 2007-09 budget was developed.

2. Social Security/Medicare requirements included in the FB 2007-09 biennium budget appropriation were also based on lower than actual gross salaries for FY 2007. This FY 2009 Supplemental Budget request reflects re-projected employer cost requirements that include actual gross salaries as of June 30, 2007.

D. Significant Changes to Measures of Effectiveness and Program Size

New program established by the 2007 Legislature.

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Capital Budget Details

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT

PROGRAM ID **BUF-101**
 PROGRAM STRUCTURE NO. **11010305**
 PROGRAM TITLE **DEPARTMENTAL ADMINISTRATION & BUDGET DIV**

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PROJECT NUMBER	PRIORITY NUMBER	LOCATION	PROJECT TITLE	COST ELEMENT/MOF	FY 2008		RECOM APPRN	FY 2009		RECOM APPRN
					CURRENT APPRN	ADJUSTMENT		CURRENT APPRN	ADJUSTMENT	
BM091		14TH R	BISHOP MUSUEM, OAHU							
				PLANS				10		10
				DESIGN				10		10
				CONSTRUCTION				980		980
				TOTAL				1,000		1,000
				G.O. BONDS				1,000		1,000
00-01	0001		HAWAIIAN HOME LANDS TRUST FUND, STATEWIDE							
				CONSTRUCTION	50,000		50,000	30,000		30,000
				TOTAL	50,000		50,000	30,000		30,000
				G.O. BONDS	50,000		50,000	30,000		30,000
00-02	0002		STATE EDUCATIONAL FACILITIES IMPROVEMENT SPECIAL FUND, STATEWIDE							
				CONSTRUCTION	292,158		292,158	43,570		43,570
				TOTAL	292,158		292,158	43,570		43,570
				G.O. BONDS	292,158		292,158	43,570		43,570

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT

PROGRAM ID **BUF-101**
 PROGRAM STRUCTURE NO. **11010305**
 PROGRAM TITLE **DEPARTMENTAL ADMINISTRATION & BUDGET DIV**

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PROJECT NUMBER	PRIORITY NUMBER	LOCATION	PROJECT TITLE	COST ELEMENT/MOF	FY 2008		RECOM APPRN	FY 2009		RECOM APPRN
					CURRENT APPRN	ADJUSTMENT		CURRENT APPRN	ADJUSTMENT	
PROGRAM TOTALS										
				PLANS					10	10
				DESIGN					10	10
				CONSTRUCTION	342,158		342,158	73,570	980	74,550
				EQUIPMENT						
				TOTAL	342,158		342,158	73,570	1,000	74,570
				G.O. BONDS	342,158		342,158	73,570	1,000	74,570